

COUNTY OF CHEBOYGAN, MICHIGAN

Reports on Compliance
and
Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2006

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Reports on Compliance



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INDEPENDENT AUDITORS' REPORT

Honorable Chairperson and Members
Of the Board of Commissioners
County of Cheboygan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Cheboygan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Cheboygan County Road Commission, which represent 100% of the assets and revenues of the Discretely Presented Component Unit. Those financial statements were audited by other auditors whose report has been furnished to us and in our opinion, is so far as it relates to the amounts recorded for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2007 on our consideration of the County of Cheboygan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cheboygan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and is not a required part of the basic financial statements of the County of Cheboygan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Anderson, Tackman & Company, PLC
Certified Public Accountants

April 12, 2007



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Chairperson and Members of
The Board of Commissioners
County of Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County of Cheboygan, Michigan's basic financial statements and have issued our report thereon, dated April 12, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Cheboygan County Road Commission, as described in our report on the County of Cheboygan, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County of Cheboygan, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Cheboygan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Cheboygan, Michigan in a separate letter dated April 12, 2007.

This report is intended solely for the information and use of management, Board of Commissioners, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 12, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Chairperson and Members of
The Board of Commissioners
County of Cheboygan, Michigan

Compliance

We have audited the compliance of the County of Cheboygan, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Cheboygan, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the County of Cheboygan, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Cheboygan, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan as of and for the year ended December 31, 2006, and have issued our report thereon dated April 12, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County of Cheboygan, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the financial statements of the Cheboygan County Road Commission, which represent 100% of the assets and revenues of the Discretely Presented Component Unit. Those financial statements were audited by other auditors whose report has been furnished to us and in our opinion, is so far as it relates to the amounts recorded for the Road Commission, is based solely on the report of the other auditors.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 12, 2007

County of Cheboygan, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Direct Award:			
Housing Preservation Grant	10.433	N/A	\$ 37,528
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Pass-through programs from MSHDA:			
Community Development Block Grant	14.228	MSC-2003-0730-HOA	17,456
Community Development Block Grant	14.228	MSC-2005-0730-HOA	44,924
Total U.S. Department of Housing & Urban Development			62,380
U.S. DEPARTMENT OF JUSTICE:			
Pass-through programs from MDCH:			
Substance Abuse - SANE	16.738	70868-7-06-B	27,119
Substance Abuse - SANE	16.738	70868-8-07-B	7,229
Subtotal - passed through MDCH			34,348
Pass-through programs from the Michigan Department of Human Services:			
Juvenile Accountability Incentive Block Grant - 02/01/05 to 01/31/06	16.523	JABGN-05-16001	251
Juvenile Accountability Incentive Block Grant - 02/01/06 to 01/31/07	16.253	JABGN-06-16001	6,203
Subtotal - passed through MDHS			6,454
Total U.S. Department of Justice			40,802
U.S. DEPARTMENT OF EDUCATION:			
Passed through the Michigan Department of Community Health:			
Drug free schools and local programs - SAYPA programs	84.186	2006-1620	78,808
Drug free schools and local programs - SAYPA programs	84.186	2007-1935	18,662
Total U.S. Department of Education			97,470
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-through programs from the Michigan Department of State Police, Emergency Management Division:			
Enforcement Zone Grant	20.600	PT-06-47	13,817
HEMP Grant 2005-2006	20.503	N/A	703
Subtotal - passed through from MSP			14,520
Pass-through programs from the Michigan Department of Transportation:			
Road Projects - State Administered	20.205	N/A	279,105
Operating Grant - Section 5311	20.509	2002-0028/Z15	85,898
Subtotal - passed through from MDOT			365,003
Total U.S. Department of Transportation			379,523

County of Cheboygan, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through programs from the Michigan Department of Human Services:			
Promoting safe & stable families - SAYPA program	93.556	DEL-04-16001	\$ 14,853
Promoting safe & stable families - SAYPA program	93.556	DEL-04-16001	5,332
Incentive Reimbursement	93.563	FIP2006	24,720
PA CRP Title IV-D - 10/1/05 to 9/30/06	93.563	CS/PA-06-16002	50,280
PA CRP Title IV-D - 10/1/06 to 9/30/07	93.563	CS/PA-07-16002	18,770
FOC CRP Title IV-D - 10/1/05 to 9/30/06	93.563	CS/FOC-06-16001	202,185
FOC CRP Title IV-D - 10/1/06 to 9/30/07	93.563	CS/FOC-07-16001	76,393
Medical Support Title IV-D - 10/1/04 to 9/30/05	93.563	CS/MED-05-83001	584
Subtotal - passed through MDHS			393,117
Total U.S. Department of Health and Human Services			393,117
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through programs from the Michigan Department of State			
Police, Emergency Management Division:			
2004 State Homeland Security Grant Program	97.004	N/A	40,047
2004 State Homeland Security Grant Program - Interoperable Equipment	97.004	N/A	22,000
2005 State Homeland Security Grant Program	97.067	N/A	13,536
2005 Law Enforcement Terrorism Prevention Program	97.067	N/A	5,028
Buffer Zone	97.078	BZPP	11,893
Subtotal - passed through MDSP			92,504
Pass-through programs from the Michigan Department of Natural Resources:			
Marine Safety	97.012	N/A	10,000
Total U.S. Department of Homeland Security			102,504
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,113,324

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Cheboygan, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Agriculture which provided the greatest amount of direct federal funding to the County during 2006.

NOTE C - FEDERAL REVENUES

Federal Revenues per Financial Statement	\$ 856,430
Add: Component Unit Federal Revenues	279,105
Less: State Revenues Classified as Federal	<u>(22,211)</u>
Total Federal Expenditures	<u>\$ 1,113,324</u>

NOTE D - FEDERAL GRANTS – ROAD COMMISSION

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning, and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended December 31, 2006, the Road Commission of Cheboygan County had less than \$500,000 of force account expenditures applicable to federal awards (local force revenue). As a result, an audit for compliance under the Single Audit Act has not been performed.

The federal revenues of \$279,105 represents the Department of Transportation Federal Highway grant money expended on public road improvement project which were administered by the Michigan Department of Transportation; however, required to be reported by the Road Commission.

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified
that are not considered to be
material weaknesses? No

Noncompliance material to financial
statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified
that are not considered to be
material weaknesses? No

Type of auditors' report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? No

Identification of Major Programs**CFDA NUMBERS****Name of Federal Program or Cluster**

93.563 Child Support Enforcement

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.